



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
GALLATIN COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1999

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

EXECUTIVE SUMMARY

GALLATIN COUNTY FISCAL COURT AUDIT JUNE 30, 1999

On April 25, 2000, fieldwork was completed on the June 30, 1999 Gallatin County Fiscal Court Audit. An unqualified opinion was rendered on the financial statements.

The Schedule of Findings and Questioned Costs disclosed the following areas of noncompliance:

- The County Treasurer's Settlement Should Be Approved By Fiscal Court
- The County Treasurer's Annual Settlement Should Be Published
- The County Should Require Depository Institutions To Provide Sufficient Collateral To Protect Deposits
- The County Treasurer Should Countersign Checks

Change of Administration:

Former County Judge Executive Clarence Davis retired at the end of his last term and was replaced by George Zubaty, who was elected to the position of Judge/Executive in November 1998, and took over in January 1999. Also, on June 30, 1999, Opaline Moore retired as County Treasurer and Sonja Hopkins replaced her.

Financing and Debt Obligations:

Gallatin County Fiscal Court currently has no outstanding debt.

<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR’S REPORT	1
GALLATIN COUNTY OFFICIALS	3
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES ARISING FROM CASH TRANSACTIONS.....	7
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES	10
NOTES TO FINANCIAL STATEMENTS	12
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE.....	17
SCHEDULE OF OPERATING REVENUE	20
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES	29
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	43
COMMENTS AND RECOMMENDATIONS.....	47
APPENDIX A:	
CERTIFICATION OF COMPLIANCE – LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS	



Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky
Honorable Paul Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable George Zubaty, Gallatin County Judge/Executive
Members of the Gallatin County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Gallatin County, Kentucky, as of June 30, 1999, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Gallatin County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Gallatin County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Gallatin County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 1999, in conformity with the cash basis of accounting described above.

To the People of Kentucky
Honorable Paul Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable George Zubaty, Gallatin County Judge/Executive
Members of the Gallatin County Fiscal Court

Our audit was performed for the purpose of forming an opinion on the financial statements of Gallatin County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following areas of noncompliance:

- The County Treasurer Should Countersign Checks
- The County Treasurer's Settlement Should Be Approved By The Fiscal Court
- The County Treasurer's Annual Settlement Should Be Published
- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

In accordance with Government Auditing Standards, we have also issued our report dated April 25, 2000 on our consideration of Gallatin County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 25, 2000

GALLATIN COUNTY OFFICIALS

June 30, 1999

George Zubaty	County Judge/Executive
Steve Huddleston	County Attorney
Tracy Miles	County Clerk
Sue O'Connor	Circuit Court Clerk
Clifford Higgins	Sheriff
Nelson Brown	Jailer
Vesta Moore	Property Valuation Administrator
Opaline Moore	County Treasurer
Brian Lowder	Coroner
Eric Moore	Magistrate
Kenneth McFarland	Magistrate
Elsie Ewbank	Magistrate
Sidney Gullion	Magistrate

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

GALLATIN COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1999

Assets

General Fund:

Cash \$ 1,168,082

Road and Bridge Fund:

Cash 1,208,665

Jail Fund:

Cash 5,819

Local Government Economic Assistance Fund:

Cash 37,758

County Police Fund:

Cash 14,990

Total Assets

\$ 2,435,314

Liabilities And Fund Balances

Liabilities

\$ 0

Fund Balances

Unreserved:

General Fund 1,168,082

Road and Bridge Fund 1,208,665

Jail Fund 5,819

Local Government Economic Assistance Fund 37,758

County Police Fund 14,990

Total Liabilities and Fund Balances

\$ 2,435,314

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

GALLATIN COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1999

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 1,272,937	\$ 617,367	\$ 568,345	\$ 45,765
Transfers In	154,600			125,000
Total Cash Receipts	<u>\$ 1,427,537</u>	<u>\$ 617,367</u>	<u>\$ 568,345</u>	<u>\$ 170,765</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 956,353	\$ 417,863	\$ 303,664	\$ 171,506
Transfers Out	154,600	154,600		
Retirement Withholdings				
County Clerk and Sheriff	8,117	8,117		
Total Cash Disbursements	<u>\$ 1,119,070</u>	<u>\$ 580,580</u>	<u>\$ 303,664</u>	<u>\$ 171,506</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 308,467	\$ 36,787	\$ 264,681	\$ (741)
Cash Balance - July 1, 1998	2,126,847	1,131,295	943,984	6,560
Cash Balance - June 30, 1999	<u>\$ 2,435,314</u>	<u>\$ 1,168,082</u>	<u>\$ 1,208,665</u>	<u>\$ 5,819</u>

The accompanying notes are an integral part of the financial statements.

GALLATIN COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 1999
 (Continued)

Local Government Economic Assistance Fund	County Police Fund
\$ 41,460	\$ 29,600
\$ 41,460	\$ 29,600
\$ 48,710	\$ 14,610
\$ 48,710	\$ 14,610
\$ (7,250) 45,008	\$ 14,990
\$ 37,758	\$ 14,990

GALLATIN COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1999

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Gallatin County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Gallatin County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

GALLATIN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of January 22, 1999, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$723,617 of public funds uninsured and unsecured.

GALLATIN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999
(Continued)

Note 3. (Continued)

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of January 22, 1999.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county's name	\$ 1,605,480
Uncollateralized and uninsured	<u>723,617</u>
Total	<u>\$ 2,329,097</u>

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

GALLATIN COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1999

<u>Budgeted Funds</u>	Budgeted Operating Revenue	Actual Operating Revenue	Over (Under) Budget
General Fund	\$ 396,949	\$ 617,367	\$ 220,418
Road and Bridge Fund	481,590	568,345	86,755
Jail Fund	31,288	45,765	14,477
Local Government Economic Assistance Fund	45,638	41,460	(4,178)
Total	<u>\$ 955,465</u>	<u>\$ 1,272,937</u>	<u>\$ 317,472</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 955,465
Add: Budgeted Prior Year Surplus	<u>1,113,554</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 2,069,019</u>

THIS PAGE LEFT BLANK INTENTIONALLY

SCHEDULE OF OPERATING REVENUE

GALLATIN COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1999

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
Revenue From Local Taxes <u>and Excess Fees</u>				
Sheriff:				
Taxes	\$ 277,081	\$ 277,081	\$	\$
Fire Protection	701	701		
Withholdings	9,128	9,128		
County Clerk:				
Deed Transfer Tax	17,624	17,624		
Occupational Licenses	1,012	1,012		
Delinquent Taxes	4,836	4,836		
Excess Fees - 1997	21,481	21,481		
Retirement Contributions	5,917	5,917		
Tangible Personal Property Taxes:				
Other Counties	6,118	6,118		
County Clerk	42,535	42,535		
In Lieu of Taxes:				
Gallatin Steel	75,000	75,000		
Totals	\$ 461,433	\$ 461,433	\$ 0	\$ 0

Federal Receipts - State Treasurer

Federal Disaster and Emergency Services/Emergency Management Agency Reimbursement 1997 Flood	\$ 45,009	\$ 11,569	\$ 33,440	\$ 0
---	-----------	-----------	-----------	------

Kentucky State Treasurer

Jail:				
Allotments	\$ 24,000	\$	\$	\$ 24,000
Medical Allotments	1,895			1,895
Driving Under The Influence Fees	2,808			2,808

GALLATIN COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

Local
 Government
 Economic
 Assistance
Fund

\$

\$ 0

\$ 0

\$

GALLATIN COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer</u>				
(Continued)				
County Road Aid	\$ 308,724	\$	\$ 308,724	\$
Truck License Distribution	161,449		161,449	
Election Expense Reimbursement	3,570	3,570		
Courthouse Rental - Administrative				
Office of the Courts	30,487	30,487		
Refunds:				
Legal Process Tax	43	43		
Drivers Licenses	720		720	
Dog Licenses	59	59		
Sheriff Bond Premium	81	81		
Retirement Refund	693	693		
Severance Taxes:				
Mineral	1,460			
Board of Assessments	200	200		
Emergency Medical Assistance	4,525	4,525		
Grants:				
Federal Disaster and Emergency Services/Emergency Management Agency Reimbursement 1997 Flood	7,539		7,539	
Surplus Spending Project	40,000			
Totals	<u>\$ 588,253</u>	<u>\$ 39,658</u>	<u>\$ 478,432</u>	<u>\$ 28,703</u>

Miscellaneous Revenue

Interest	\$ 103,240	\$ 51,724	\$ 51,516	\$
Circuit Court Clerk:				
Jail Cost	13,697			13,697
Surplus Machinery/Equipment Sales	1,357		1,357	
Insurance Claim	15,240	15,240		
Loan Repayment:				
County Clerk	10,000	10,000		

GALLATIN COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1999
(Continued)

Local
Government
Economic
Assistance
Fund

\$

1,460

40,000

\$ 41,460

\$

GALLATIN COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<hr/>				
<u>Miscellaneous Revenue</u>				
(Continued)				
City of Warsaw:				
Ambulance Purchase	\$ 7,200	\$ 7,200	\$	\$
DES	16,154	16,154		
Rent	7,500	3,900	3,600	
Miscellaneous Items	3,854	489		3,365
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	\$ 178,242	\$ 104,707	\$ 56,473	\$ 17,062
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Revenue	<u>\$ 1,272,937</u>	<u>\$ 617,367</u>	<u>\$ 568,345</u>	<u>\$ 45,765</u>

GALLATIN COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

Local
 Government
 Economic
 Assistance
Fund

\$

\$ 0

\$ 41,460

THIS PAGE LEFT BLANK INTENTIONALLY

COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

GALLATIN COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1999

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 52,000	\$ 50,299	\$ 1,701
Deputy County Judge/Executive	4,000	2,000	2,000
Secretaries	26,500	26,433	67
Office Materials and Supplies	3,000	2,343	657
Postal Charges	1,200	492	708
Maintenance and Repair Service	2,500	1,542	958
Registrations, Conferences and Training	1,000	960	40
New Office Equipment	2,500	2,099	401
Telephone	3,000	1,181	1,819
Travel	2,000		2,000
Office of County Attorney:			
Salaries-			
County Attorney	6,000	4,800	1,200
Office Expense	2,500	1,550	950
Other Materials and Supplies	1,000	75	925
Membership Dues	100		100
Office of County Clerk:			
Office Materials and Supplies	5,000	4,650	350
Telephone	1,000	59	941
Office of Sheriff:			
Deputy Sheriff Salary	5,000		5,000
Office Supplies	1,000	709	291
Telephone Sheriff	4,000	3,541	459
Postal Charges	2,000	1,200	800

GALLATIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Government</u> (Continued)			
Office of County Coroner:			
Salaries-			
County Coroner	\$ 3,600	\$ 3,600	\$
Deputy Coroner	2,100	2,100	
Registration, Conferences, and Training	1,800	886	914
Travel	700		700
Membership Dues	500		500
Other Supplies and Materials	2,000	1,825	175
Office Supplies	500		500
Miscellaneous	500		500
Fiscal Court:			
Magistrates or Commissioners-			
Salaries	25,000	17,280	7,720
Advertising	3,000	1,833	1,167
Other Supplies and Materials	3,000	2,319	681
Registration, Conferences, and Training	2,000	500	1,500
Travel	1,500		1,500
Office of Property Valuation Administrator:			
Statutory Contribution	10,000	9,600	400
Office of County Treasurer:			
Salaries-			
County Treasurer	6,900	6,900	
Office Materials and Supplies	400	6	394
County Law Library:			
Law Librarian Salary	900	900	
Elections:			
Per Diem-			
Election Commissioners	4,500	2,305	2,195
Election Officers	6,000	4,500	1,500

GALLATIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
GENERAL FUND (Continued)			
<u>General Government</u> (Continued)			
Elections: (Continued)			
Advertising	\$ 2,500	\$	\$ 2,500
Other Materials and Supplies	17,500	17,239	261
Rental of Polling Places	1,000	800	200
Voting Machine Purchase	10,000	9,758	242
Maintenance and Repair- Voting Machines	1,000		1,000
Economic Development:			
Contribution	4,000		4,000
Courthouse:			
Salaries-			
Wages and Maintenance	5,000	975	4,025
Janitorial Services	9,000	2,400	6,600
Materials and Supplies	6,000	1,259	4,741
Pest Control	800	468	332
Renewals and Repairs	15,000	3,864	11,136
Utilities	15,000	7,835	7,165
Maintenance Agreements	8,000	1,481	6,519
Miscellaneous	1,000	365	635
Annex Buildings:			
Pest Control	800	300	500
Custodial Supplies Annex I	1,000	104	896
Custodial Supplies Annex II	1,000	25	975
Renewals and Repairs Annex I	6,000	2,275	3,725
Renewals and Repairs Annex II	12,200	12,099	101
Utilities Annex I	5,000	4,710	290
Utilities Annex II	5,000	2,853	2,147
Land Property Acquisition	5,000		5,000

GALLATIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Protection to Persons and Property</u>			
Building Code Enforcement:			
Salaries	\$ 5,000	\$	\$ 5,000
Disaster and Emergency Services:			
Salaries	36,000	35,520	480
Travel	1,200	993	207
Maintenance and Repair Equipment	1,000		1,000
Maintenance and Repair- Office Equipment	1,000		1,000
Maintenance and Repair Radios	100		100
Maintenance and Repair Vehicles	500		500
Ambulance Service:			
Ambulances	17,000	15,000	2,000
Supplies	1,000		1,000
Emergency Dispatch Service			
911 Dispatch Service	50,000	825	49,175
Forestry Fire Protection:			
Kentucky State Treasurer	1,600	1,504	96
Office of Public Defender:			
Contribution	2,800	1,600	1,200
<u>General Health and Sanitation</u>			
Dog Control:			
Salaries	5,300	5,280	20
Other Supplies and Materials	1,000	289	711
Kennel Construction Shelter Cost	10,000	3,174	6,826
Food	3,000	1,952	1,048
Solid Waste Collection:			
Contracted Services	10,000	9,703	297

GALLATIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Health and Sanitation</u> (Continued)			
Recycling Programs:			
Recycling Center Construction	\$ 10,000	\$	\$ 10,000
Water Systems:			
Water Lines	10,000	750	9,250
<u>Social Services</u>			
Service to Indigents:			
Contribution	2,000	310	1,690
Senior Citizens Program:			
Contribution	2,000		2,000
Renewals and Repairs	3,000	67	2,933
Utilities	2,500	1,567	933
Services to Children and Youth:			
Contribution	1,000		1,000
Cemeteries and Memorials:			
Pauper Burials	2,000		2,000
Special Project	14,369	10,271	4,098
General Charity and Welfare	2,000	232	1,768
<u>Recreation and Culture:</u>			
Parks:			
Equipment	5,000	4,604	396
Other Recreation Programs:			
Recreation, Tourism, and Convention	500		500

GALLATIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Administration</u>			
General Services:			
Advertising	\$ 5,000	\$	\$ 5,000
Auditing	20,000	17,726	2,274
Insurance- Miscellaneous	1,000		1,000
Insurance- Boiler	1,000	500	500
Insurance- Buildings and Contents	10,000	5,000	5,000
Insurance -Errors and Omission	3,000		3,000
Insurance-Liability	10,000	4,500	5,500
Insurance-Ambulance, Vehicles, and Equipment	5,000		5,000
Memberships and Dues	8,000	4,428	3,572
Postal Charges	2,000		2,000
Miscellaneous	1,000	347	653
Contingent Appropriations:			
Reserve for Transfers	14,700		14,700
Fringe Benefits:			
County Contributions-			
Social Security	25,000	11,804	13,196
Retirement	30,000	29,695	305
Life Insurance	2,000	47	1,953
Health Insurance	20,000	18,321	1,679
Dental Insurance	4,000	1,515	2,485
Worker's Compensation	8,000	3,042	4,958
Unemployment Insurance	6,000		6,000
Total General Fund	\$ 708,569	\$ 417,863	\$ 290,706

ROAD AND BRIDGE FUND

General Government

Office of Road Supervisor/Engineer:			
Road Supervisor Salary	\$ 25,000	\$ 20,520	\$ 4,480

GALLATIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u> (Continued)			
<u>Roads</u> (Continued)			
Road Maintenance:			
Salaries-			
Road Labor	\$ 90,000	\$ 85,911	\$ 4,089
Construction Contracts	400,000	89,104	310,896
Asphalt	20,000	11,371	8,629
Crushed Stone and Gravel	20,000	3,730	16,270
General Construction Materials	30,000	4,143	25,857
Fuels and Lubricants	25,000	10,234	14,766
Machinery and Equipment-	70,000		70,000
Materials	10,000	1,539	8,461
Miscellaneous	1,000	928	72
Utilities	10,000	3,443	6,557
Telephone	1,500	326	1,174
Culverts	20,000	2,991	17,009
Vehicle Parts	10,000	3,792	6,208
Maintenance-Buildings	5,000	861	4,139
Maintenance- Equipment	25,000	9,182	15,818
Maintenance-Vehicles	10,000	8,419	1,581
<u>Capital Projects</u>			
Bridges:			
Replacement and Repair	40,000		40,000
Sewers:			
Land Purchase	20,000		20,000
Other Capital Projects	10,000	1,070	8,930
<u>Administration</u>			
General Services:			
Audit	10,000	2,380	7,620
Insurance-Miscellaneous	5,000		5,000
Insurance- Buildings and Contents	5,000	197	4,803

GALLATIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u> (Continued)			
<u>Administration</u> (Continued)			
General Services: (Continued)			
Insurance- Errors and Omissions	\$ 3,000	\$ 2,159	\$ 841
Insurance-Liability	15,000	8,474	6,526
Insurance-Vehicles	8,000	1,500	6,500
Miscellaneous	1,000	205	795
Contingent Appropriations:			
Reserve for Budget Transfers	25,000		25,000
Fringe Benefits:			
County Contributions-			
Retirement	20,000	7,392	12,608
Social Security	20,000	8,302	11,698
Life Insurance	1,000	247	753
Health Insurance	15,000	10,877	4,123
Dental Insurance	1,000	750	250
Worker's Compensation	5,000	3,042	1,958
Unemployment Insurance	3,000	575	2,425
Total Road and Bridge Fund	<u>\$ 979,500</u>	<u>\$ 303,664</u>	<u>\$ 675,836</u>

JAIL FUND

Protection to Persons and Property

Office of Jailer:

Personnel Services-

Salaries-

Jailer	\$ 17,750	\$ 17,333	\$ 417
Dispatch/Radio Operator	35,000	26,008	8,992
Part-Time Help	4,000	3,271	729
Medical Personnel	2,000	35	1,965

GALLATIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND</u> (Continued)			
<u>Protection to Persons and Property</u> (Continued)			
<u>Office of Jailer</u> (Continued)			
Operations-			
Cleaning Supplies	\$ 1,000	\$ 717	\$ 283
Food	1,000		1,000
Jail Linens	300		300
Office Supplies	500	399	101
Pest Control	500	288	212
Staff Travel	200		200
Telephone	2,000	804	1,196
Housing Prisoners - Other Counties			
Adults	77,000	73,287	3,713
Housing Prisoners - Other Counties			
Juveniles	20,000	15,470	4,530
Miscellaneous Operating Expense	1,000	666	334
Other Contracted Services	2,000		2,000
Medical Service Prisoners	5,000	1,472	3,528
Registration, Conferences, Training	1,000		1,000
Utilities	7,000	3,753	3,247
Miscellaneous	200	93	107
Maintenance-			
Building Repairs	48,000	143	47,857
Equipment Repairs	2,000		2,000
Radio Repairs	5,000	4,495	505
Equipment-			
Communication Equipment	2,000	1,607	393
Office Equipment	1,000	45	955
<u>Administration</u>			
Contingent Appropriations:			
Reserve for Budget Transfers	1,000		1,000

GALLATIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND</u> (Continued)			
<u>Administration</u> (Continued)			
General Services:			
Insurance-Building and Contents	\$ 1,500	\$ 1,000	\$ 500
Insurance- Liability	5,000	4,500	500
Fringe Benefits:			
County Contributions-			
Retirement	5,000	3,747	1,253
Social Security	6,000	3,515	2,485
Dental Insurance	200	86	114
Life Insurance	500	40	460
Health Insurance	8,000	5,690	2,310
Worker's Compensation	5,000	3,042	1,958
Unemployment Insurance	1,000		1,000
Total Jail Fund	<u>\$ 268,650</u>	<u>\$ 171,506</u>	<u>\$ 97,144</u>
LOCAL GOVERNMENT ECONOMIC <u>ASSISTANCE FUND</u>			
<u>Protection to Persons and Property</u>			
Contributions to the Volunteer			
Fire Departments	\$ 55,000	\$ 47,065	\$ 7,935
Disaster and Emergency Services:			
Office Supplies	1,000	138	862
Registrations, Conferences, Training, etc.	1,200		1,200
General Health and Sanitation:			
Other Contracted Services	1,000		1,000
Water Transport Lines	10,000		10,000
Park :			
Maintenance	2,000	504	1,496
Supplies and Equipment	5,000		5,000
Contributions	1,000		1,000
Utilities	1,500	1,003	497

GALLATIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND (Continued)</u>			
<u>Administration</u>			
Contingent Appropriations:			
Reserve for Budget Transfers	\$ 5,000	\$	\$ 5,000
Total Local Government Economic Assistance Fund	\$ 82,700	\$ 48,710	\$ 33,990
<u>COUNTY POLICE FUND</u>			
Personnel Services-			
Salaries	\$ 18,000	\$ 10,681	\$ 7,319
Operations-			
Equipment Maintenance	400		400
Office Supplies	500	35	465
Other Supplies and Materials	1,000	926	74
Telephone	500		500
Insurance- Liability	1,000		1,000
Insurance- Vehicle	500		500
Miscellaneous	1,000	219	781
Fringe Benefits:			
County Contributions-			
Social Security	1,000	817	183
Retirement	900	810	90
Life Insurance	200		200
Health Insurance	2,400	1,004	1,396
Dental Insurance	200	118	82
Unemployment Insurance	1,000		1,000
Worker's Compensation	1,000		1,000
Total County Police Fund	\$ 29,600	\$ 14,610	\$ 14,990
Total Operating Budget - All Funds	\$ 2,069,019	\$ 956,353	\$ 1,112,666

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable George Zubaty, Gallatin County Judge/Executive
Members of the Gallatin County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Gallatin County, Kentucky, as of and for the year ended June 30, 1999, and have issued our report thereon dated April 25, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Gallatin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gallatin County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable George Zubaty, Gallatin County Judge/Executive
Members of the Gallatin County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 25, 2000

COMMENTS AND RECOMMENDATIONS

GALLATIN COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 1999

REPORTABLE CONDITIONS

The County Treasurer Should Countersign Checks

During the course of the audit, it came to our attention that there were numerous checks not countersigned by the County Treasurer. The County Treasurer should countersign checks if the following conditions exist: a) claims are reviewed by the fiscal court, b) sufficient fund balance and adequate cash is in the bank to cover the check, and c) adequate free balance is available in a properly budgeted appropriation account to cover the check. We recommend that the County Treasurer countersign all checks in the future.

Current Treasurer's Response:

County Treasurer now signing all checks.

NONCOMPLIANCES

1) The County Treasurer's Settlement Should Be Approved By The Fiscal Court

The County Treasurer's annual settlement was not approved by the fiscal court. KRS 68.020 requires the County Treasurer to submit an annual settlement to the fiscal court for approval within thirty days after the end of the fiscal year. We recommend the County Treasurer comply with this statute in the future.

Current Treasurer's Response:

New County Treasurer will comply. This was an apparent oversight due to the change of County Treasurer July 1, 1999.

2) The County Treasurer's Annual Settlement Should Be Published

The County Treasurer had not published an annual settlement in accordance with KRS 424.220. This statute requires the settlement to be published within sixty (60) days after the close of the fiscal year. We recommend the County Treasurer comply with this statute in the future.

Current Treasurer's Response:

New County Treasurer will comply. Also an oversight due to change in Treasurer.

GALLATIN COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 1999
(Continued)

3) The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

On January 22, 1999, \$723,617 of the county's deposits of public funds in depository institutions was uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend the county require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

Current Treasurer's Response:

Not aware of frequency needed. Will watch more closely!

CERTIFICATION OF COMPLIANCE – LOCAL
GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

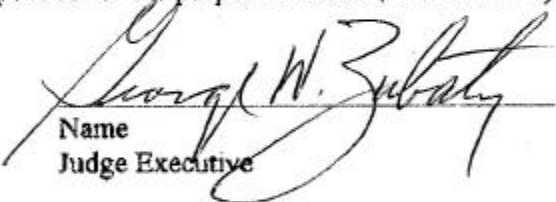
GALLATIN COUNTY FISCAL COURT

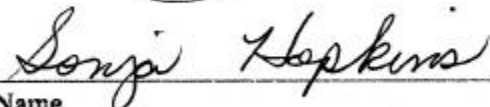
Fiscal Year Ended June 30, 1999

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
GALLATIN COUNTY FISCAL COURT

Fiscal Year Ended June 30, 1999

The Gallatin County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Fund was expended for the purpose intended, as dictated by the applicable Kentucky Revised Statutes.


Name
Judge Executive


Name
County Treasurer